



INTERNATIONAL EXPANSION

PRACTICAL CONSIDERATIONS FOR UK COMPANIES
EXPANDING INTO GERMANY



YOUR PRESENTER TODAY



Jonathan Gurney is an English chartered accountant who has lived full-time in Germany for more than 10 years. He trained at KPMG and has held CFO roles for a variety of multi-national small- and medium-sized groups, in both the service and manufacturing sectors.

In 2013, he and his wife founded Ars Vivendi Enterprises GmbH as a vehicle for the operation of a boutique business centre, based in Memmingen (bueros-to-go.de).

Subsequently, he has worked primarily in the area of international expansion. Most recently, he has supported the internet start-up Oyster HR in the formation of its global network of subsidiaries, as well as the development of its risk and governance programs.



AGENDA

What does UK investment in Germany look like, and why?

Factors to consider when expanding internationally

The various options available



UK INVESTMENT TO EU IN CONTEXT

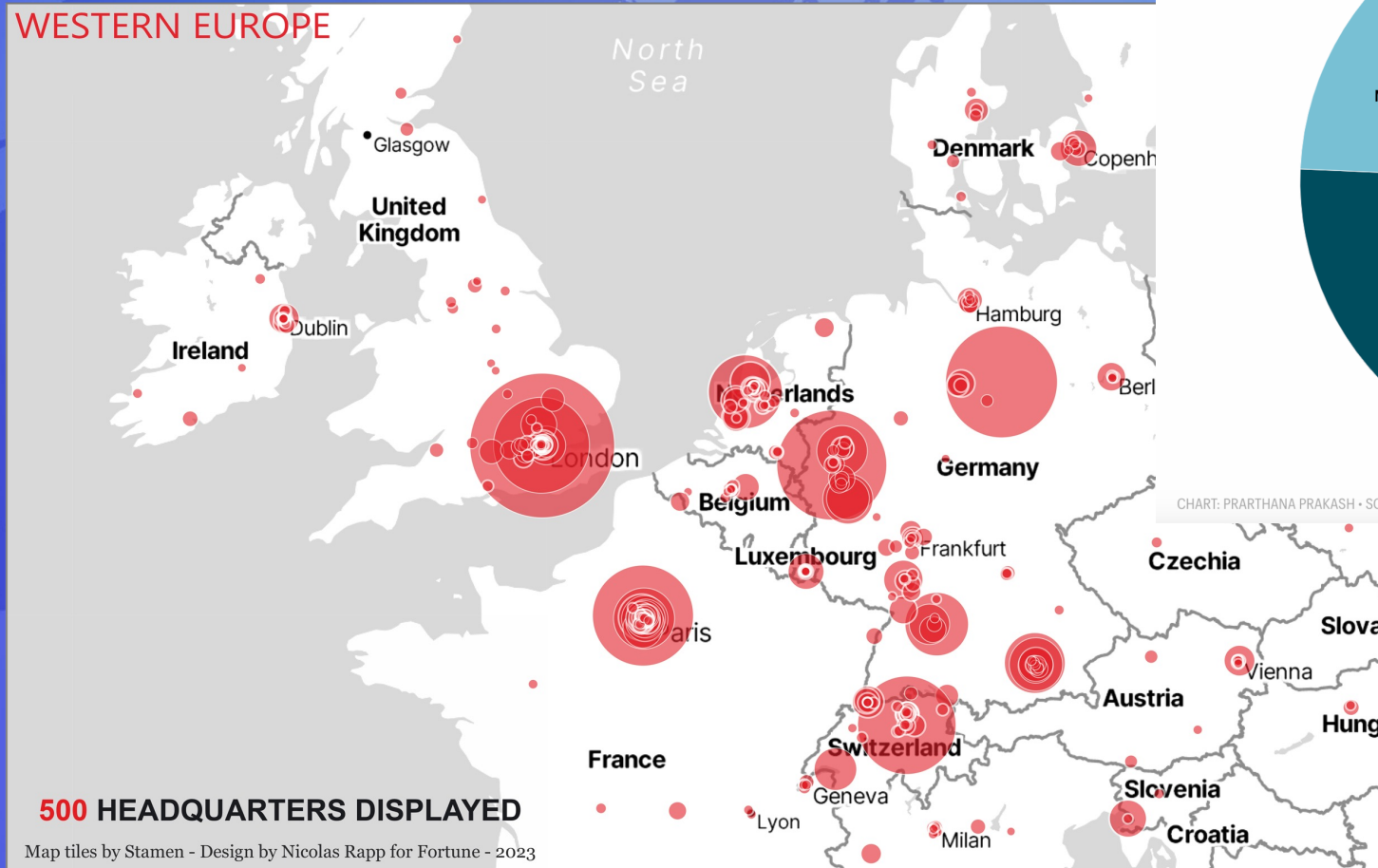
UK investment in (FDI) GBP millions	2020	2021	Food products incl tobacco	Mining and quarrying	Petro-chemicals	Retail and wholesale trade, repair of motor vehicles and motor cycles	Financial services	Information and communication	Professional, scientific and technical services
Netherlands	180,858	155,205		8%	3%	4%	34%		17%
Luxembourg	101,425	127,230					63%		
Spain	84,953	95,910					13%	12%	
France	86,327	91,624				8%	16%	4%	
Eire	80,296	70,248	3%		9%		76%		
Germany	40,089	34,801	23%		15%	8%	21%		7%
Sweden	26,012	32,118							5%
Italy	17,889	18,337			6%	11%	24%		
UK offshore Islands	77,928	83,932					65%		
Canada	27,830	40,624					53%		
USA	434,855	461,433			19%	4%	9%	6%	4%

Source: Office of National Statistics



WHERE IS BIG BUSINESS?

WESTERN EUROPE



Germany is home to the most Fortune 500 Europe companies

These are the top five countries with companies on the list.

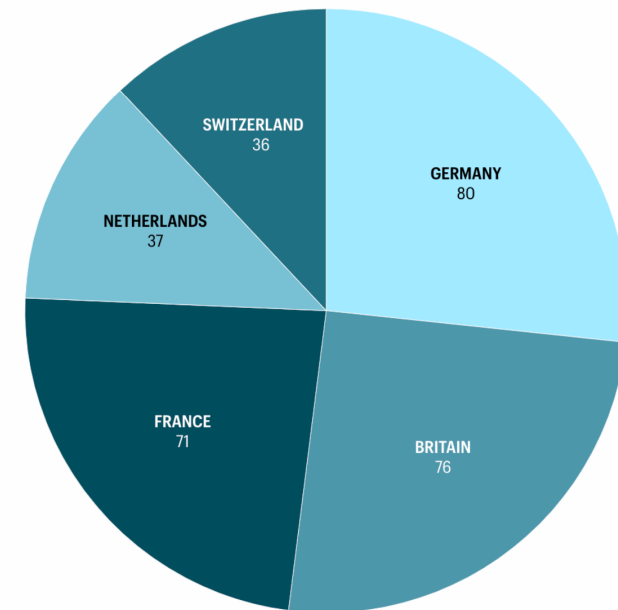
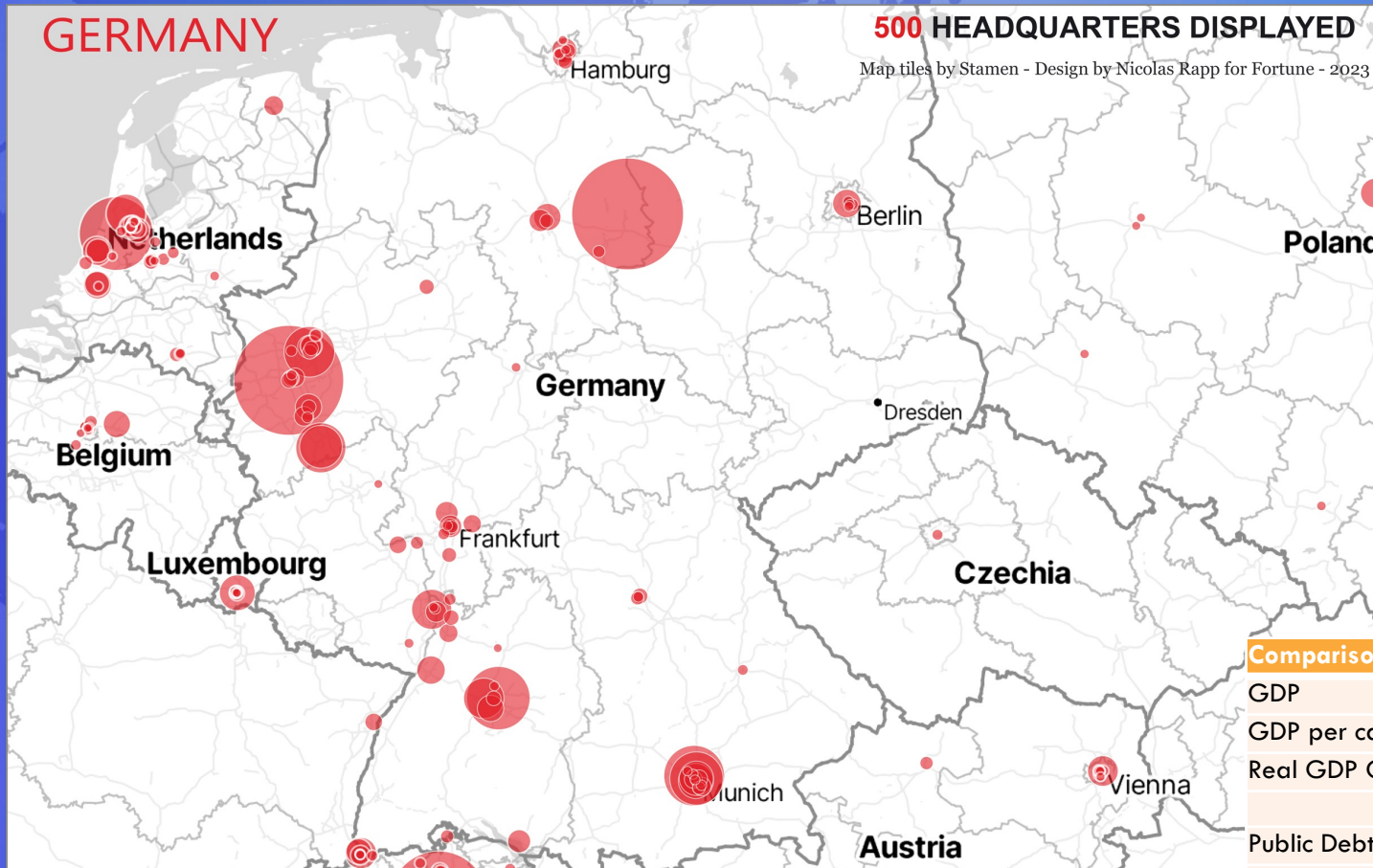


CHART: PRARTHANA PRAKASH • SOURCE: FORTUNE 500 EUROPE

FORTUNE



SO WHY GERMANY?

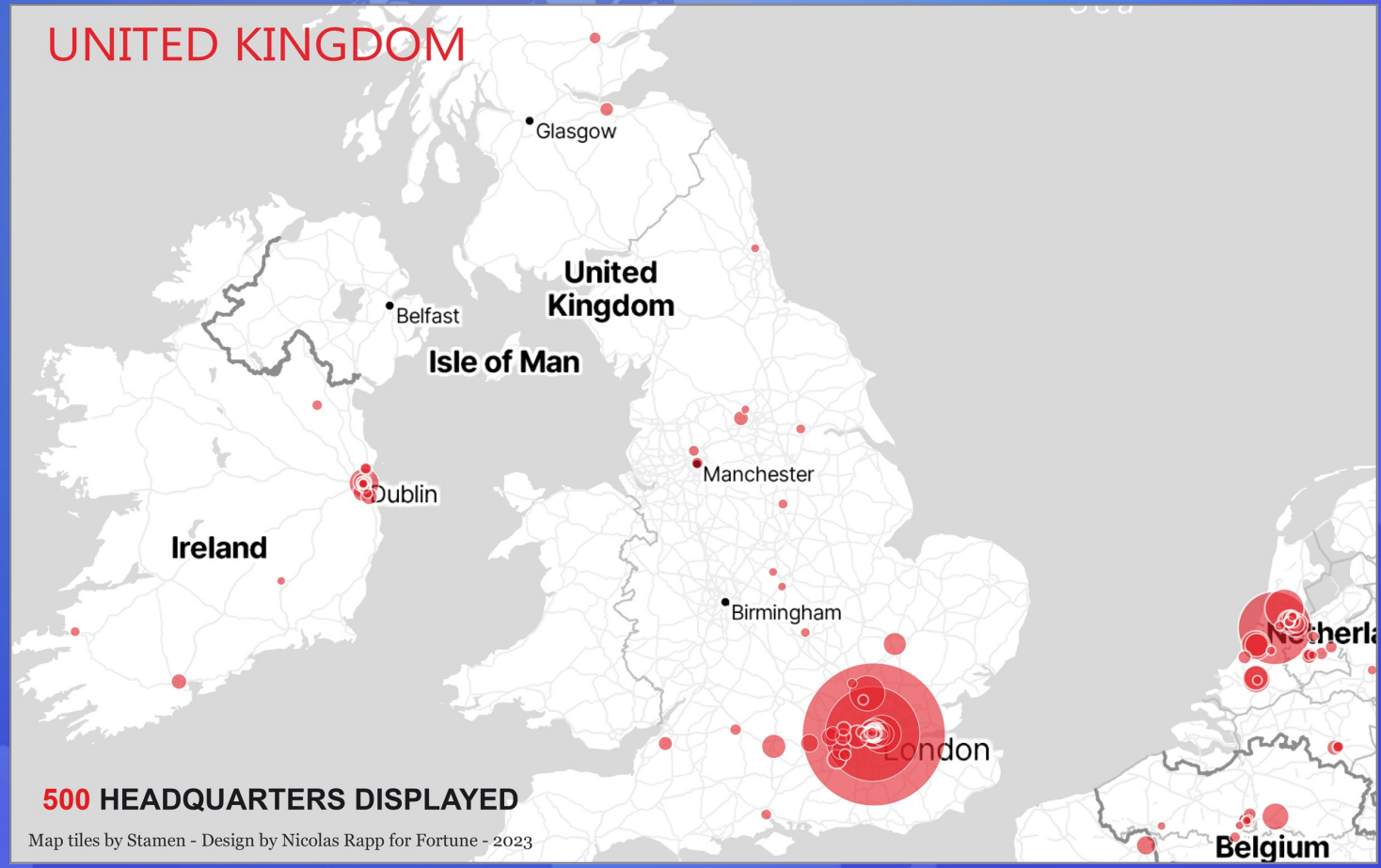


Comparisons	GERMANY	UK
GDP	\$4.187 Bn	\$3.028 Bn
GDP per capita (\$)	\$53,200	\$45,565
Real GDP Growth Rate	2.63%	1.70%
Public Debt (2022)	66.3% of GDP	101.0% of GDP
Average Age	47.8 yrs	40.6 yrs
Cost of Living (vs USA @100%)	82.26%	98.52%

AGIG PRESENTATION NOVEMBER 2023: INTERNATIONAL EXPANSION



HOW THE UK COMPARES



GERMANY IS (RELATIVELY) HIGH COMPLEXITY

Complexity Index Ratings 2022

ESG

Data Privacy

AML/CRS/FATCA

Quality of legislative programmes

Federal system

BUT

Stable (Politically, socially, economically)

	2022	2021	2020
TEN MOST COMPLEX JURISDICTIONS	1 - Brazil	(1)	(2)
	2 - France	(2)	(12)
	3 ^ Peru	(24)	(23)
	4 v Mexico	(3)	(13)
	5 v Colombia	(4)	(8)
	6 ^ Greece	(13)	(5)
	7 v Turkey	(5)	(11)
	8 ^ Italy	(15)	(36)
	9 v Bolivia	(8)	(4)
	10 - Poland	(10)	(34)
11 v Indonesia	(6)	(1)	
12 v Argentina	(7)	(3)	
13 ^ Sweden	(52)	(38)	
14 v China	(12)	(6)	
15 ^ Chile	(40)	(64)	
16 v South Korea	(11)	(17)	
17 - Belgium	(17)	(19)	
18 v Nicaragua	(14)	(7)	
19 ^ Paraguay	(58)	(33)	
20 ^ Germany	(27)	(40)	
21 ^ Venezuela	(33)	(52)	
22 - Malaysia	(22)	(9)	
23 ^ Austria	(38)	(41)	
24 v Kazakhstan	(16)	(25)	
25 v India	(20)	(18)	

	2022	2021	2020
52 ^ Canada	(57)	(54)	
53 ^ Cyprus	(54)	(28)	
54 ^ Republic of Ireland	(74)	(70)	
55 ^ Qatar	(66)	(49)	
56 ^ The Netherlands	(70)	(72)	
57 ^ Luxembourg	(65)	(50)	
58 v Singapore	(50)	(60)	
59 v Jamaica	(30)	(75)	
60 v Switzerland	(56)	(62)	
61 - United Arab Emirates	(60)	(53)	
62 ^ Mauritius	(68)	(68)	
63 v Czech Republic	(61)	(48)	
64 v Israel	(63)	(63)	
65 v Australia	(62)	(58)	
66 v Guernsey	(55)	(45)	
67 v Malta	(64)	(61)	
TEN LEAST COMPLEX JURISDICTIONS	68 v United Kingdom	(53)	(44)
	69 v Norway	(51)	(55)
	70 v New Zealand	(67)	(59)
	71 - United States	(71)	(76)
	72 v Jersey	(45)	(65)
	73 v British Virgin Islands	(72)	(73)
	74 ^ Hong Kong	(76)	(66)
	75 ^ Denmark	(77)	(74)
	76 v Curaçao	(73)	(77)
	77 v Cayman Islands	(75)	(69)



SO, YOU WANT TO EXPAND INTERNATIONALLY?

CONSIDERATIONS

B2B or B2C?

Services or goods?

Reasons for expansion and future plans

Presence: light touch or “really there”...

Risk appetite

Geographical locations providing specific advantages?



SO, YOU WANT TO SET UP IN GERMANY?

OPTIONS

Set up a 3rd Party Logistics Warehouse

Send some-one out from home base

Subsidiary

Branch

Representative Office/Non-resident payroll

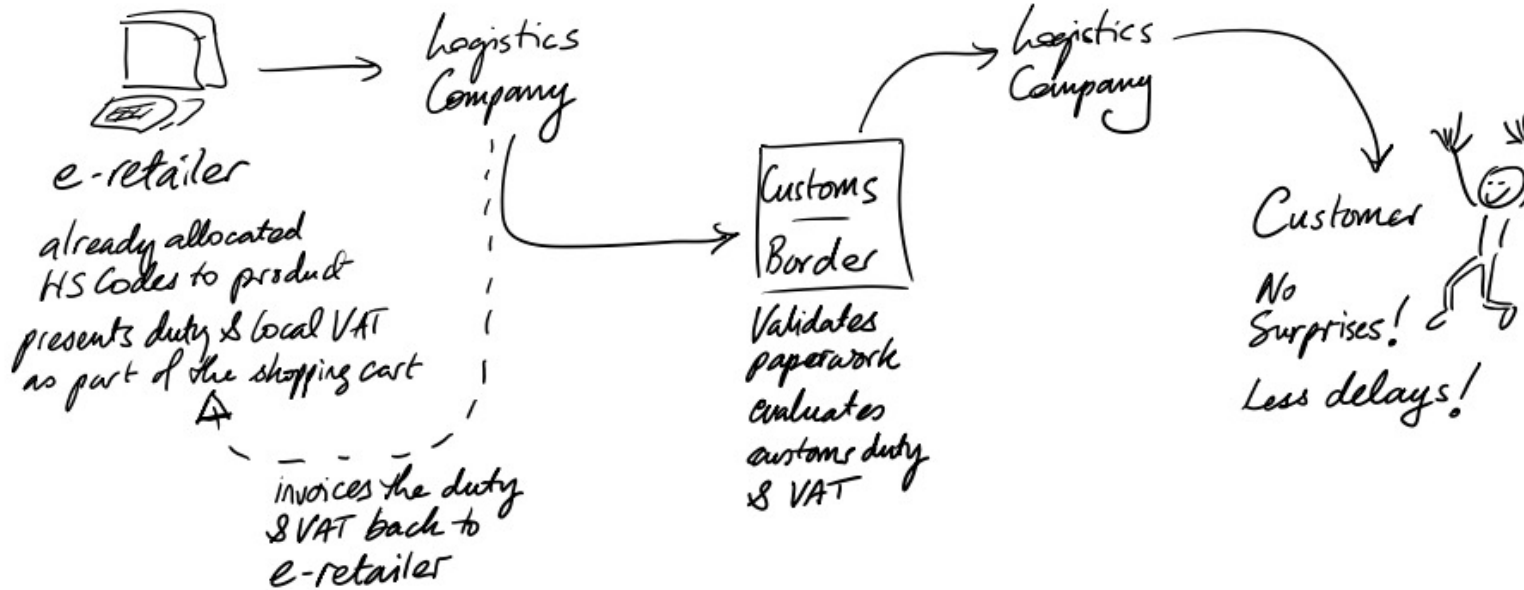
Employer of Record/PEO

and Employer as a Service



SHIPPING GOODS POST-BREXIT

DDP - DELIVERY DUTY PAID



HOW – DAP? DDP?



SEND A BRIT TO GERMANY POST-BREXIT - 1

Short term business visit

no visa, provided that their stay does not exceed 90 days within a 180-day period
and
no *economic* activity is pursued.



SEND A BRIT TO GERMANY POST-BREXIT - 2

An Employment Assignment

Residence Permit required, with permission to work

NO WORK UNTIL VISA IS GRANTED

Process

1. apply for residence permit at local immigration office
2. register your German residence with the local town authorities.
3. Approval by Federal Employment Agency, unless senior executive (i.e. with binding authority within the organisation)



SEND A BRIT TO GERMANY POST-BREXIT - 3

A Personnel Exchange

Residence Permit required, with permission to work – but simplified conditions

1 – 3 years' duration

Reciprocal

An Intra-company Transfer

Alternatively, can apply for an Intra-Company Transfer Permit.

(but that needs an existing local group company)



RECAP: SET UP IN GERMANY?

OPTIONS

Send some-one out from home base

Representative Office/Non-resident payroll

Employer of Record/PEO

and Employer as a Service

Subsidiary

Branch



REPRESENTATIVE OFFICE

OR “NON-RESIDENT PAYROLL”

Seek to avoid creating a permanent establishment

Only register as an employer

Taxes and Social Contributions cannot be deducted at source

BEPS



HIRING IN GERMANY

KEY CONSIDERATIONS

Employment contract documented in writing

Compliant with German law, e.g.

- compliance with minimum wages;
- compliance with maximum working hours;
- the granting of minimum breaks and rest periods; and
- restrictions on night work, and work on Sundays and public holidays.
- Non-competition clauses

Non-compliant terms null and void

German language, bi-lingual allowed but German text takes precedence

Everything is interpreted in favour of the employee



OPERATING A GERMAN PAYROLL

- Need German Tax ID and social security information for each employee
- Payroll taxes and social security deducted at source
(**UNLESS** your business is set up as a *non-resident payroll*)
- Annual payment of statutory accident insurance



FIRING IN GERMANY

WATCH OUT FOR

Importance of correct procedure: e.g. notice must be served in writing

Validity of non-compete clauses – must be remunerated (at 50%!), reasonable scope

Expect a legal claim

Always take legal advice/support



EOR/PEO AND EAAS

EMPLOYEE LEASING

Highly regulated – AÜG

Contracts limited to 18 month duration, max 3 renewals, 3 month break

Tri-partite contracts – actual/”factual” employer and employee

IP protection requires side agreements

Unwanted employment relationship

PE Risk

Very high fines



SETTING UP A BRANCH IN GERMANY

- NO Incorporation...

- Part of UK company

- Register for tax etc in Germany

- No separate share capital

- No local director

- Pros

- Quicker to withdraw

- Tax losses can be utilized

- No issue re extraction of profit

- Cons

- Not perceived as local

- Bank account

- Exposure to local law

- Part of UK profit taxed in Germany

- HGB



SETTING UP A SUBSIDIARY IN GERMANY

- Incorporated Body

 - Form of Company?

 - Notary

 - Share capital

 - Bank Account

 - Geschäftsführer

 - Off-the-shelf available (but...)

- Pros

 - Ring-fenced accounting

 - “Real” presence in-countr

- Cons

 - Bank account

 - Slow process to withdraw

 - Extraction of profit (withholding taxes)



WITHDRAWAL FROM GERMANY

Average Dissolution
Times by Region
(months)

	APAC	North America	South America	EMEA	GERMANY
2020	8.8	5.1	5.6	6.7	>12
2021	9.0	5.8	7.5	6.5	>12
2022	8.8	6.1	9.3	6.4	>12

and remember the convoluted staff dismissal process



EXTRACTION OF PROFIT

DIVIDEND, INTEREST, ROYALTIES?

EU Parent-Subsidiary Directive

Withholding Taxes will apply, but relief via Double Taxation Treaty

with help of relevant Double Taxation Treaty			
if ownership in local sub >10%	Dividends	Interest	Royalties
Germany	5%	0%	0%
Netherlands	0%	0%	0%
France	0%	0%	0%
Italy	5%	10%	8%



THANK YOU

GO FORTH AND



GIF Credit: Sign with Robert

